

Office of Chief Counsel  
Internal Revenue Service

**memorandum**

CC:WR: [REDACTED]: [REDACTED]: TL-N-4531-00

AJKim

date: SEP 18 2000

to: Internal Revenue Service

[REDACTED]  
MS: [REDACTED]

Attn: [REDACTED], Team Coordinator

from: District Counsel, [REDACTED]

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subject: [REDACTED] (E.I.N.: [REDACTED])  
Proposed Collateral Agreement Establishing the Audit Methodology  
for Examining I.R.C. § 41 Research Credits

U.I.L. #: 41.51-00

DISCLOSURE STATEMENT

This advice constitutes return information subject to I.R.C. § 6103. This advice contains confidential information subject to attorney-client and deliberative process privileges and if prepared in contemplation of litigation, subject to the attorney work product privilege. Accordingly, the Examination or Appeals recipient of this document may provide it only to those persons whose official tax administration duties with respect to this case require such disclosure. In no event may this document be provided to Examination, Appeals, or other persons beyond those specifically indicated in this statement. This advice may not be disclosed to taxpayers or their representatives.

This advice is not binding on Examination or Appeals and is not a final case determination. Such advice is advisory and does not resolve Service position on an issue or provide the basis for closing a case. The determination of the Service in the case is to be made through the exercise of the independent judgment of the office with jurisdiction over the case.

This advice relies on facts provided by you to our office. If you find that any facts are incorrect, please advise us immediately so that we may modify and correct this advice. This advice is subject to 10-day post review by the National Office. Accordingly, we request that you do not act on this advice until we have advised you of the National Office's comments, if any.

concerning this advice.

This memorandum is in response to your request for assistance in drafting a collateral agreement establishing the audit methodology in order to examine a sample number of the taxpayer's research projects conducted in tax years [REDACTED] and [REDACTED]. Based on the limited population size of the identified projects subject to examination, your computer audit specialist indicated that statistical sampling was not appropriate. IRM 42(18)3.1. However, the taxpayer and the IRS have agreed that a non-statistical sampling of projects would serve to minimize the burden on both parties with respect to the examination of the taxpayer's claimed section 41 research credits in tax years [REDACTED] and [REDACTED]. To this end, we have prepared a document entitled "PROPOSED COLLATERAL AGREEMENT ESTABLISHING THE AUDIT METHODOLOGY FOR EXAMINING THE RESEARCH CREDITS RELATED TO "NUCLEAR" AND "HARDHAT" PROJECTS CLAIMED BY [REDACTED] FOR THE YEARS [REDACTED] AND [REDACTED]" for the Examination team's use in this case. See attachment. Please note that certain sections require that your team input additional taxpayer data.

Should you have any questions, please contact attorney [REDACTED] at [REDACTED].

[REDACTED]  
Acting District Counsel

By:

[REDACTED]  
Assistant District Counsel

Attachment: As stated

cc: Joni Larson (CC:PSI:BR9)